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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
/126 W
----------075812 101957Z /75
R 101835Z JUL 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0071
USDA/FAS WASHDC
INFO EC COLLECTIVE
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BONN 12604

USEEC ALSO FOR EMBASSY; USMTN ALSO FOR MISSION

E.O. 11652: GDS
TAGS: EAGR, GW
SUBJECT: RECLASSIFICATION OF POULTRY UNDER BTN NO. 1602

REF: A. STATE 149951 B. BONN 11742

SUMMARY. AGATT MET WITH FRG MINAG OFFICIALS ON THREE SEPARATE OCCASIONS TO REEMPHASIZE THAT PROPOSED EC ACTION TO RECLASSIFY FROZEN SEASONED POULTRY NOW ENTERING WITH BOUND DUTY UNDER BTN NO. 1602 WOULD CAUSE SERIOUS PROBLEMS FOR U.S., AND THAT THIS DECISION WOULD FLY IN THE FACE OF CURRENT NEGOTIATIONS TO REDUCE TARIFF BARRIERS. AGATT ALSO RAISED THE PROBLEM WITH STAATSSEKRETAER ROHR. ROHR STATED THAT MINAG WOULD VOTE AGAINST THE EC PROPOSAL AT THE JULY 11 MEETING OF THE POULTRY MANAGEMENT COMMITTEE. HOWEVER, OUR ASSESSMENT IS THAT IT IS MORE A MATTER OF TIME THAN OF WHETHER THE DECISION WILL BE TAKEN. STRONG PRESSURE
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FROM THE U.S. WILL BE NECESSARY IF THE RECLASSIFICATION IS NOT TO OCCUR. IN CONTEXT OF THESE MEETINGS, GENERAL MTN ISSUES WERE ALSO DISCUSSED WITH FRG OFFICIALS. ROHR AS WELL AS OTHER OFFICIALS STATED THEY REALIZED SOMETHING WOULD HAVE TO BE DONE ON THE SO-CALLED "STRAUSS PRODUCTS," EVEN IF NOT ALL U.S. REQUESTS COULD BE GRANTED. END SUMMARY.

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1. AGATT OPENED DISCUSSION WITH MAJOR ARGUMENTS U.S. HAS BEEN MAKING, I.E. TOTAL IMPORTS OF U.S. POULTRY PARTS INTO FRG HAD INCREASED ONLY SLIGHTLY IN 1977, AND THAT LARGE INCREASE IN IMPORTS OF SEASONED POULTRY WAS OFFSET BY DECLINE IN FROZEN TURKEY PARTS IMPORTED UNDER BTN 0202. IT WAS ALSO POINTED OUT THAT FRG DOMESTIC PRODUCTION OF TURKEY HAD INCREASED SHARPLY (30 PERCENT, 1977; 36 PERCENT FIRST QUARTER OF 1978) WHILE THESE IMPORTS WERE TAKING PLACE; THE SEASONED POULTRY DUTY (PRODUCT DEFINED IN THE NOTES TO THE BTN) IS GATT-BOUND; THEREFORE, THE PROPOSED EC ACTION SEEMS HIGHLY INAPPROPRIATE AT A TIME WHEN WE ARE TRYING TO REDUCE BARRIERS TO TRADE IN THE MTN.

2. SPECKS, A SENIOR TRADE POLICY FRG MINAG OFFICIAL, AGREED THE ITEM WAS BOUND, AND THAT ANY CHANGE IN TARIFF WOULD HAVE TO BE COMPENSATED OR AT LEAST DISCUSSED IN GATT FRAMEWORK. HE ALSO POINTED OUT THAT MINAG NOW THINKS IT WOULD BE NECESSARY FOR ANY RECLASSIFICATION TO BE APPROVED BY THE COUNCIL OF MINISTERS, NOT MERELY THE POULTRY MANAGEMENT COMMITTEE, UNDER ARTICLE 28 OF THE ROME TREATY. HE INDICATED THIS WAS A VERY INOPPORTUNE TIME TO TAKE SUCH A DECISION, THAT IN FACT MINAG DECISION WAS STILL IN THE WORKS. HE HOPED IT WOULD NOT BE NECESSARY TO CONFIDENTIAL

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RECLASSIFY SEASONED POULTRY AT A LATER DATE AND THAT THE U.S. WOULD HELP PREVENT 1602 FROM BECOMING A MAJOR LOOPHOLE IN THE CAP FOR POULTRY. ALSO STATED THAT THE GERMAN DELEGATION WAS ONE OF NINE INVOLVED IN THE DECISION, AND OF COURSE ONE OF THE MOST AFFECTED BY IT.

3. U.S. SIDE EMPHASIZED THAT WE HAVE A LEGITIMATE PRODUCT AND HAVE MADE EVERY EFFORT THROUGH OUR MEAT INSPECTION BULLETIN TO ENSURE THAT THE POULTRY WAS SEASONED PROPERLY. WE STATED THAT USDA HAD PUT FORTH GUIDELINES IN A BULLETIN THAT SEASONED POULTRY HAD TO BE DETECTABLE BY LABORATORY ANALYSIS AND/OR SIGHT OR SMELL. WE ALSO STATED THAT THE EC LEVIES WERE THE CAUSE OF THESHIFT IN TRADE TO A NEW PRODUCT. THIS DOES NOT MEAN THAT THE EC SHOULD ATTEMPT TO SHUT US OUT OF THIS NEW MARKET--WHICH WOULD CERTAINLY BE THE CASE IF A LEVY CATEOGRY WERE INTRODUCED--AS IT HAD IN THE FRESH AND FROZEN MARKET.

4. BURKHARD, CHIEF, COMMODITY MARKET ORDER SECTION, MINAG, INDICATED UNDERSTANDING FOR OUR POSITION, BUT

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HE STATED GERMANS FEARED CONTINUED GROWTH OF IMPORTS
OF SEASONED POULTRY AT CURRENT RATE WOULD IN NOT TOO

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DISTANT FUTURE TAKE ITS TOLL ON PRICES RECEIVED BY
DOMESTIC FRG INDUSTRY. WHILE AGREEING THAT SEASONED
POULTRY AS DEFINED IN CURRENT NOTES TO THE CXT UNDER
BTN 1602 WAS SUBJECT TO GATT-BOUND DUTY, HE STATED
PRODUCTS ENVISAGED WHEN BINDING WAS GIVEN WERE
SPECIFICALLY CANNED COOKED POULTRY, AND THAT FRESH
OR FROZEN SEASONED PRODUCT HAD BEEN SPECIFICALLY
EXCLUDED. HE STATED THAT THE CHANGE TO INCLUDE
SEASONED PRODUCT WAS MADE BY A LATER CUSTOMS COURT
DECISION ABOUT 1970, AND THAT FRG THEREFORE BELIEVES
EC HAS LEGITIMATE JUSTIFICATION FOR RECLASSIFICATION
NOW THAT SEASONED PRODUCT WAS ENTERING EC IN
SUBSTANTIAL VOLUME. WE WOULD APPRECIATE FAS/W
CLARIFICATION OF THIS POINT.

5. BURKHARD REITERATED THAT FRG FINAL DECISION HAD
NOT BEEN TAKEN AS TO NECESSITY OF RECLASSIFICATION AND
THAT THEREFORE FRG WOULD VOTE NO AT JULY 11 MANAGEMENT
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COMMITTEE MEETING IF THE ISSUE COMES UP FOR A VOTE. FINAL FRG DECISION WOULD DEPEND ON WHETHER THEY DEFINITELY PERCEIVED THREAT TO DOMESTIC INDUSTRY THROUGH CONTINUED HEAVILY INCREASING U.S. AND THIRD COUNTRY SHIPMENTS. OFFICIAL HOPED THAT SHIPMENTS WOULD BE HELD WITHIN REASONABLE LIMITS. HE ALSO THOUGHT THAT IF LEVIES WERE APPLIED, IT WOULD BE DONE QUOTE WITH REASON UNQUOTE.

6. IN INITIAL DISCUSSION WITH SPECKS (TRADE POLICY OFFICIAL) HE NOTED THAT NEGATIVE POULTRY DECISION WOULD BE VERY UNFORTUNATE IN CONTEXT OF MTN. AT SAME TIME, SPECKS SAID HE REALIZED THAT SOMETHING WOULD HAVE TO BE DONE ON "OTHER STRAUSS PRODUCTS" IF ANY MTN SETTLEMENT WERE TO OCCUR. HE HOPED WE UNDERSTOOD WE MIGHT NOT GET ALL WE HAD REQUESTED BUT COULD ACCEPT A COMPROMISE FOR WHICH THE ITALIANS, WHO WOULD SUFFER MOST, WOULD HAVE TO BE PAID BY THE OTHER EC MEMBERS.

7. AGATT SAW STAATSSEKRETAER ROHR AT COCKTAIL PARTY LATER IN THE DAY (JULY 7) AND RAISED THE ISSUE AGAIN. ROHR SAID HE UNDERSTOOD THE PROBLEM AND ITS RELATION TO MTN AND THAT FRG WOULD VOTE AGAINST TAKING ANY ACTION IN BRUSSELS AT THE POULTRY MANAGEMENT COMMITTEE ON JULY 11. ROHR STATED, HOWEVER, THAT THEY WOULD HAVE TO LOOK AT HOW THE TRADE DEVELOPED IN THE FUTURE.

8. WE SUGGEST THAT PRESSURE BE KEPT ON APPROPRIATE OFFICIALS IN EC MEMBER CAPITALS WITH REGARD TO THE RECLASSIFICATION OF SEASONED POULTRY. WE FEEL CLARIFICATION FROM EC CONCERNING SEASONED POULTRY
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IS NECESSARY AND THAT THIS COULD PROBABLY BEST BE DONE WITH EC OFFICIALS IN GENEVA. IF THE QUESTION IS NOT PERMANENTLY SETTLED IN GENEVA, WE FEEL THERE IS DEFINITELY LITTLE HOPE OF RETAINING A BOUND DUTY FOR SEASONED POULTRY AFTER MTN ISSUES ARE SETTLED.
STOESSEL

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